

## **Testimony**

### **Senate Bill 2004**

#### **House Appropriations Committee**

**Wednesday, February 23, 2005; 10:30 a.m.**

#### **North Dakota Department of Health**

Good morning, Chairman Svedjan and members of the Committee. My name is Arvy Smith, and I am the Deputy State Health Officer for the North Dakota Department of Health. I am here today to provide an overview of the Governor's recommendation for the department's 2005-07 biennium budget.

#### **Budget Highlights**

- Total budget – \$126 million
- General fund budget – \$14 million or 11 percent of total budget (\$11 per capita per year – less than the cost of a flu shot)
- Of the department's total budget, 60 percent is passed through to other North Dakota entities or is granted for WIC food payments
- General fund increase in Governor's budget
  - Governor's Salary Package \$660,272
  - Healthy North Dakota \$500,000
  - Food and Lodging \$55,688
  - Bond payment increase \$110,873
  - Connect ND \$11,183
- FTE increase in Governor's budget
  - Tobacco Prevention and Control 1.0
  - Healthy North Dakota 2.5
  - Food and Lodging 1.0
- Absorbed costs
  - Operating costs for new buildings
  - Salary increases
  - Environmental Health increased rent at Gold Seal Building
  - HIPAA
  - Basic care fully funded
  - Increased ITD costs

- Salary issue – The changes in the salaries line, aside from the governor’s salary package and new FTE, reflect workload and equity adjustments made by the department during the biennium, as well as normal fluctuations due to staff turnover and replacement of staff at higher or lower salaries.

Salary levels are a major issue for the Department of Health. We are starting to feel the effects of salary levels through increased turnover and difficulties in hiring. Some important highlights with regard to salary levels in the department are as follows:

- In many cases, our state employee salaries are less than those of our counterparts in city and county government.
  - Department personnel have to build in 3 percent to 5 percent annual salary increases for contracts with local entities while they themselves have gone without an increase this current biennium.
  - In at least four cases, salaries are as much as \$1,000 per month less than other states in the region.
  - In six classifications, we rank last among the states, and our salary is at least \$7,000 per year less than the next lowest state.
  - Although 22 percent of our employees have master’s or doctorate degrees, only 8 percent of our employees earn more than \$4,000 per month.
- *Healthy North Dakota* – The leading causes of death in North Dakota are heart disease, cancer, chronic lung disease, accidents and diabetes. However, the real, underlying high-risk behaviors that cause these diseases and death are tobacco use, poor diet, inactivity and alcohol use. In 2003, the adult smoking rate in North Dakota was 20.5 percent, and the rate of overweight or obese adults was 64 percent. Together, obesity and tobacco-related medical expenditures in North Dakota exceed \$402 million annually.

Because of the enormous human and financial costs of tobacco use, poor diet and inactivity, the Governor’s budget for the Department of Health includes two and one-half FTE and \$500,000 for several new *Healthy North Dakota* initiatives to begin to address these high-risk behaviors.

*Healthy North Dakota* is composed of more than 400 members who represent about 150 agencies, organizations and businesses from across the state. This grass-roots effort is developing strategies to address health issues and to encourage comprehensive healthy lifestyles for all North Dakotans.

- Food and Lodging – The Governor provided a new FTE in the Division of Food and Lodging to assist in doing more inspections. The department is currently able to inspect high-risk entities only once per year, while the federal government recommends inspections at a minimum of two to three times per year based upon the risk level of the establishment. In addition, a new federal mandate from the

U.S. Department of Agriculture (USDA) will require two inspections per year in schools beginning in the 2005-2006 school year. The budget for the program as originally proposed was under funded by about \$58,000, which would have required us to delay hiring the new position.

The Senate approved a significant change to the Food and Lodging program. Currently, the program is funded through the general fund, and fees collected by the program are deposited into the general fund. Since fees collected are less than expenses by \$234,236 in the current biennium, the general fund is subsidizing the program. The department had initially proposed a change whereby the department would have the authority to establish fees at a level to cover all costs of the program, deposit the fees into our operating account and use the fees to cover all costs of the program. We had also requested two new FTE to increase inspections per year at higher-risk facilities. The Governor allowed and partially funded one new FTE but rejected the funding change because fee increases would be too high. The Senate allowed and fully funded the one new FTE and made the funding changes described above.

The department is concerned with the level of fees necessary to fully fund the program. In addition, we have concerns with the effective date. Since the fees are collected in January, we will not have revenue to operate on until January 2006. We would need the first six months in 2005-07 funded from the general fund to avoid a situation where we would have to borrow from the general fund for the first six months every fiscal year. A schedule of potential fees is attached.

- Future Concerns
  - Declining federal bioterrorism funding
  - Elimination of federal Preventive Health Block Grant

# Department of Health

## Overview Presentation to the House Appropriations Committee

February 23, 2005

	2003-05 Legislative Appropriation	2003-05 Adjusted Appropriation	2003-05 Estimated Expenditures or Currently Filled FTE Positions	(1) Variance	2005-07 Executive Recommendation	(2) 2005-07 Recommendation Change (Variance) to 2003-05 Adjusted Appropriation
Salaries and wages	\$29,972,929	\$30,282,929	\$29,219,314	\$1,063,615	\$32,816,481	\$2,533,552
Operating expenses	24,151,257	28,081,146	25,266,237	2,814,909	25,322,640	(\$2,758,506)
Carryover		2,693,464	2,693,464	0		(\$2,693,464)
Capital assets	3,204,837	4,381,837	4,373,135	8,702	1,514,469	(\$2,867,368)
Grants	36,690,628	41,495,628	39,075,628	2,420,000	42,466,666	\$971,038
Tobacco Prevention & Control	7,783,097	8,587,097	7,813,097	774,000	8,689,062	\$101,965
WIC Food Payments	17,680,000	17,680,000	15,719,781	1,960,219	15,750,000	(\$1,930,000)
Community Health Advisory	100,000	0	0	0	0	\$0
Total	<u>\$119,582,748</u>	<u>\$133,202,101</u>	<u>\$124,160,656</u>	<u>\$9,041,445</u>	<u>\$126,559,318</u>	<u>(\$6,642,783)</u>
General fund	\$13,101,092	\$13,101,092	\$12,951,092	150,000	\$14,439,108	\$1,338,016
Federal funds	92,793,771	103,707,660	95,935,215	7,772,445	98,428,077	(\$5,279,583)
Special funds	13,687,885	16,393,349	15,274,349	1,119,000	13,692,133	(\$2,701,216)
Total	<u>\$119,582,748</u>	<u>\$133,202,101</u>	<u>\$124,160,656</u>	<u>9,041,445</u>	<u>\$126,559,318</u>	<u>(\$6,642,783)</u>
FTE	<u>313.0</u>	<u>313.5</u>	<u>312.5</u>	<u>1.0</u>	<u>317.0</u>	<u>3.5</u>

### (1) Explanation of Major Funding and FTE Variances for the 2003-05 Adjusted Appropriation to 2003-05 Current Estimates

	FTE	General Fund	Federal and Special Funds	Total
1. Salary & wages	Vacancies due to turnover and difficulty in filling positions. 1.0	146,955	916,660	1,063,615
2. Contractual Services	Unexpended contracts for various federal and other programs: Bioterrorism (1,800,000), Certificate of Public Advantage (100,000), Breast and Cervical Cancer (800,000), LUST (400,000).		3,100,000	3,100,000

3.	General Operating	Unexpended expenditures for general operating expenses.		99,867	99,867
4.	Medical	Overexpended expenses for laboratory supplies and vaccine purchases.		(384,958)	(384,958)
5.	Capital assets	Bond repayment expenses less than anticipated	3,045	5,657	8,702
6.	Grants	Unexpended grants for various federal and other programs: Dental Loan (160,000) Bioterrorism (850,000) WIC (400,000) Cardiovascular (225,000) EMS Quick Response (185,000) Brownfield Response (600,000).		2,420,000	2,420,000
7.	Tobacco Prev. & Cntrl	Unexpended funds for cessation programs and the quitline.		774,000	774,000
8.	WIC Food Payments	Reduction in eligible participants caused by a continuing decline in the birth rate.		1,960,219	1,960,219
			<hr/>	<hr/>	<hr/>
			150,000	8,891,445	9,041,445

**(2) Explanation of Major Funding and FTE Changes (Variances) for the 2005-07 Recommendation to 2003-05 Adjusted Appropriation**

		FTE	General Fund	Federal and Special Funds	Total
1.	Capital Projects Changes	Completion of building projects Bond payment increase	110,873	(4,718,329) 186,204	(4,718,329) 297,077
2.	ITD Data Processing Changes	Connect ND Costs Increased Ongoing Data Processing Costs Increased Costs for Health Alert Network Increased Costs for the WIC MIS Project	11,183	102,513 76,468 633,484 162,800	113,696 76,468 633,484 162,800
				0	0
3.	Completed Computer Projects	Disease Surveillance and Pharmaceutical Tracking System Local Public Health Units Infrastructure for HAN SNS Deliver and Inventory System		(1,527,577) (800,930) (406,838)	(1,527,577) (800,930) (406,838)
4.	Salary Adjustments	Governor's Compensation package Salary adjustments for the 2003-05 biennium (net adjustments from salary increases, terminations & funding source changes).	660,272 (1.0)	1,361,989 301,485	2,022,261 301,485

5.	Healthy North Dakota	One of the Governor's Initiatives	2.5	500,000		500,000
6.	Tobacco Program Changes	Increase of FTE in Tobacco Program Decrease in Tobacco Cessation Programs Tobacco Quitline Increase	1.0		105,000 (309,000) 204,000	105,000 (309,000) 204,000
7.	State Planning Grant	Federal program discontinuing			(719,056)	(719,056)
8.	Food & Lodging Program	Increase of 1 FTE	1.0	55,688		55,688
9.	WIC Program	Reduction of food payments due to reduced birth rates			(1,930,000)	(1,930,000)
10.	Building Rental Increase	Relocation of leased facilities for Environmental Section			96,544	96,544
11.	One Stop Grant	Increased funding for data management in Environmental Section			478,753	478,753
12.	CDC Bioterrorism	Decrease in Bioterrorism funding (Health Hotline).			(2,027,064)	(2,027,064)
13.	HRSA Bioterrorism	Increased funding for Hospitals			522,355	522,355
14.	Data Warehouse Program	New program to develop a data repository available to users			226,400	226,400
			3.5	1,338,016	(7,980,799)	(6,642,783)

#### Summary of Senate Changes to the 2005-07 Executive Recommendation

- Changes the funding source for food and lodging inspections from the general fund to special funds from license fees. \$639,958  
Currently inspection fees are deposited into the general fund. Changes have been made to make the program self-supporting by allowing the department to establish fees by administrative rules rather than through state law and deposit the fees into a department operating fund.
- Restores \$117,270 for operating expenses for food and lodging expenses that were removed in the executive budget recommendation.
- Adds \$125,000 of general funds for the state-community matching physician loan repayment program. (SB 2266)
- Changes the funding source for the Healthy North Dakota program from general fund to federal or special funds. \$517,766  
Provides for a study of the costs and benefits of adopting a comprehensive Healthy North Dakota program.
- Reduction of \$47,106 of general funds and \$86,617 of other funds for legislative employee compensation package.

## **Summary of Major Goals and Objectives and Related Performance Measurement Data for the 2005-07 Biennium (to the extent available)**

1. Administrative Support Goal/Objective: To provide managers and employees with leadership and managerial support that enhances the Department's efforts to serve our customers effectively and efficiently while advancing the mission of the Department.  
Measurement Data: In the process of being developed.
2. Medical Services Goal/Objective: To prevent disease and disability through provision of public health education, early disease detection and intervention, and investigation of sudden and unexpected deaths.  
Measurement Data: In the process of being developed.
3. Health Resources Goal/Objective: To facilitate access to high quality health services, emergency medical services, food and lodging services and health care personnel through inspection, certification and community assistance.  
Measurement Data: In the process of being developed.
4. Community Health Goal/Objective: To support families and communities working to improve the health and safety of North Dakotans by providing education and services, advocating healthy behaviors, assuring quality programs, developing policies and engaging in statewide partnerships.  
Measurement Data: In the process of being developed.
5. Environmental Health Goal/Objective: To preserve and improve North Dakota's air, land and water resources to benefit public and environmental health and allow for the sustained use and enjoyment of our natural resources.  
Measurement Data: In the process of being developed.
6. Emergency Preparedness and Response Goal/Objective: To create and promote a state of readiness and prompt response to protect the health of North Dakotans during catastrophic events, large scale disasters and emergencies.  
Measurement Data: In the process of being developed.

# Recap of 2003-05 Legislative Appropriation to Adjusted Appropriation

## Department of Health

	2003-05 Legislative Appropriation	IT Cent. & OMB Adjustments	Carryover Building Project	SB2297 Carryover Tobacco Quitline	Approved Emergency Commission Requests									2003-05 Adjusted Appropriation
					State Planning Grant	CDC Bioterrorism	HRSA Bioterrorism	Building Proj Air Contaminant Fees	Comp. Cancer	Epidemiology & Lab Capacity	Safe Havens Supervised Visits	Grants to Encourage Arrest	Brownfield Response Program	
Salaries & Wages	29,972,929					150,000			105,000	55,000				30,282,929
Operating Exp.	24,151,257				781,889	1,200,000	1,200,000		195,000	553,000				28,081,146
Carryover - Bldg. project			2,693,464											2,693,464
Capital Assets	3,204,837				0	777,000		208,000		192,000				4,381,837
Grants	36,690,628	(500,000)				1,440,000	1,900,000			400,000	800,000	265,000	500,000	41,495,628
Tobacco Program	7,783,097	600,000		204,000										8,587,097
WIC Food Payments	17,680,000													17,680,000
Community Health Advisory	100,000	(100,000)												0
Total	119,582,748	0	2,693,464	204,000	781,889	3,567,000	3,100,000	208,000	300,000	1,200,000	800,000	265,000	500,000	133,202,101
General Fund	13,101,092													13,101,092
Federal Funds	92,793,771		400,000		781,889	3,567,000	3,100,000		300,000	1,200,000	800,000	265,000	500,000	103,707,660
Special Funds	13,687,885		2,293,464	204,000				208,000						16,393,349
Total	119,582,748		2,693,464	204,000	781,889	3,567,000	3,100,000	208,000	300,000	1,200,000	800,000	265,000	500,000	133,202,101
FTE	313.0	(0.5)							1.0					313.5



Inspection Type	Number Licensed	Estimated Hours per Biennium	Current License Fees	Projected License Fee per Year	Estimated Collections
Assisted Living Facility	39	645	\$75.00	\$150.00	\$11,700.00
Bed & Breakfast Facility	67	555	15.00	40.00	5,360.00
Bar/Tavern	11	45	40.00	90.00	1,980.00
Lodging Facility	355	2932	20.00 - 80.00	50.00-175.00	72,630.00
Limited Restaurant	369	1526	50.00	115.00	84,870.00
Mobile Food Unit	60	248	50.00	90.00	10,800.00
Mobile Home Park	485	3006	0.00 - 120.00	0.00-240.00	109,800.00
Multiple Establishment	387	6396	75.00 - 150.00	130.00-250.00	115,250.00
Restaurant	698	14418	60.00 - 85.00	150.00-195.00	228,410.00
Bakery	16	65	50.00 - 60.00	100.00-120.00	3,240.00
Retail Food	96	397	50.00 - 60.00	100.00-120.00	25,280.00
Meat Market	44	181	50.00 - 60.00	100.00-120.00	9,520.00
Salvage Food Facility	4	16	50.00	100.00	800.00
Vending	162	368	15.00	30.00	9,720.00
Beverage	162	168	40.00	75.00	24,360.00
Food Processor	44	181	25.00	50.00	4,400.00
School	96	793	0.00	125.00	24,000.00
Child Care Facility	42	348	0.00	90.00	7,560.00
					\$749,680.00

--	--